IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

NTP, INC.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	**Civil Action No. 3:07cv549 (JRS)**
	)	
CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS,	)	
	)	
	)	
Defendant.		

NTP, INC.'S MEMORANDUM IN RESPONSE
TO DEFENDANT VERIZON WIRELESS' MOTION TO STAY

Plaintiff, NTP, Inc. ("NTP"), by counsel, submits this memorandum in response to the Motion to Stay filed by Defendant, Cellco Partnership d/b/a Verizon Wireless ("Verizon Wireless").

BACKGROUND FACTS

NTP filed this action against Verizon Wireless on September 7, 2007. On September 13, 2007, Verizon Wireless' counsel contacted counsel for NTP proposing an agreement to stay the case in light of the United States Patent and Trademark Office's ("PTO") reexamination of the patents at issue (the "Reexamination Proceedings").[1] On the next day, before NTP responded, Verizon Wireless filed its Motion to Stay.

For the reasons articulated in the *NTP, Inc. v. Palm, Inc.* litigation before this Court,[2] NTP does not believe that a stay is necessary. However, in light of the stay ordered in the *Palm* case, NTP is amenable in principle to a limited stay under certain conditions.

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[1] Specifically, the patents at issue in this action are U.S. Patent Nos. 5,436,960, 5,438,611, 5,625,670, 5,819,172, 6,067,451, 6,317,592, 5,479,472 and 5,631,946.
[2] Civil Action No. 3:06CV836 (JRS).

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NTP, on September 14, 2007, sent Verizon Wireless a proposed stipulation and order under which (i) the action would be stayed; (ii) NTP shall provide a status report on the progress of the reexamination proceedings on April 1, 2008; and shall provide periodic status reports on a six-month basis as circumstances require; (iii) Verizon Wireless agrees to be bound as to a final decision with respect to the Reexamination Proceedings on the patentability of any of the claims of the patents listed above with respect to any prior art allegation based on any prior art submitted to the Patent Office; and (iv) the parties agree to institute litigation holds and preserve evidence with respect to the issues raised in the Complaint.

Verizon Wireless responded, agreeing to conditions (ii) and (iv), but rejecting condition (iii) and altering the terms of the stay in condition (i) until the validity of the patents-in-suit is resolved by the PTO and through any consequent appeals.

For the reasons set forth below, NTP proposes that a stay be entered in the form of the sketch Order attached hereto as Exhibit A, embodying each of the conditions proposed by NTP.

ARGUMENT

I. THE ACTION SHOULD NOT BE STAYED WITHOUT DISCRETION UNTIL ALL REEXAMINATION PROCEEDINGS ARE COMPLETED.

Verizon Wireless argues that this action should be stayed pending resolution of the Reexamination Proceedings, including any appeals, as such a stay would conserve judicial resources by clarifying which claims are allowable. Such an unlimited stay would unnecessarily delay this action.[3]

Instead, the stay should be made contingent on the circumstances of the reexamination and appeal process. For example, the PTO may determine that certain of the claims of the patents-in-suit are allowed. At that point, NTP might move to lift the stay and proceed with this

[3] The reexaminations of the NTP patents have already been pending for more than 5 years and, although the PTO has issued certain office actions, the reexaminations still remain in complete control of the examiners.

action based solely on the allowed claims. Under such circumstances, no judicial resources would be wasted by proceeding to trial and a stay would no longer serve any purpose.

The parties can keep the Court apprised of the progress of the reexamination process in the semi-annual status conferences, to which Verizon Wireless has already agreed in principle.

II. VERIZON WIRELESS SHOULD BE BOUND BY ANY FINAL DECISION IN THE REEXAMINATION PROCEEDINGS AS TO THE VALIDITY OF THE PATENTS.

The grant of a stay in the present circumstance is a matter entirely within the discretion of the Court. The purpose of the stay as articulated by Verizon is to allow the PTO the opportunity to complete its review of the patentability of the inventions at issue in the case so as to conserve judicial resources and to gain the benefit of the PTO's expertise as to the validity issues. To achieve that goal, the Court should request that Verizon agree to be bound by the outcome of the PTO reexamination proceedings (and any subsequent appeals). Otherwise, the Court will be required to reconsider all of the issues favorable to NTP and adverse to Verizon which the PTO and subsequent appeals have settled. This is only fair because, as to any claims which are found unpatentable and cancelled, the litigation is over and NTP has no right to seek re-litigation of those issues before this Court. If Verizon truly believes in the PTO's expertise and its ability to handle these matters, it should be willing to agree to be bound by the outcome of the reexamination as of course NTP will be also.

A court in the Eastern District of Texas has recently entered a stay with just such a condition, stating that "[a]s a condition of the stay, Defendant may not argue invalidity at trial based on one or more prior art printed publications that were submitted by the petitioner in the reexamination proceedings." *Data Treasury Corp. v. Wells Fargo & Co.*, No. 2:06-CV-72 (DF) (E.D. Tex. Jan. 12, 2007), attached as Exhibit B; *see also Data Treasury Corp. v. Wells Fargo &*

Co., 490 F. Supp. 2d 749 (E.D. Tex. 2006) (attached as Exhibit C); *Antor Media Corp. v. Nokia, Inc.*, No. 2:05-CV-186 (DF) (E.D. Tex. Sept. 27, 2006) (attached as Exhibit D). The same provision is equally appropriate in this action.

III. THE STAY SHOULD INCLUDE A PROVISION FOR EVIDENCE PRESERVATION.

In order to protect the parties for the duration of the stay, the stay should mandate that the parties institute litigation holds and preserve evidence with respect to the issues raised in the Complaint. We believe an agreement in principle to this provision has already been reached between the parties, and that the parties will be able to negotiate the terms of what must be preserved.

CONCLUSION

For the foregoing reasons, NTP respectfully requests that the Court enter an order in the form proposed in the sketch Order attached hereto as Exhibit A.

Dated: September 20, 2007

Respectfully submitted,

NTP, INC.

By Counsel

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CERTIFICATE OF SERVICE

I hereby certify that on the 20th day of September, 2007, the foregoing was electronically filed with the Clerk of the Court using the CM/ECF system, which will then send a notification of such filing (NEF) to the following:

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